



UNIVERSITY OF ILLINOIS
EXTENSION

Illinois Migrant Council

PREPARING A NEW GENERATION OF ILLINOIS FRUIT AND VEGETABLE FARMERS

a USDA NIFA BEGINNING FARMER AND RANCHER
DEVELOPMENT PROGRAM PROJECT
GRANT # 2012-49400-19565

<http://www.newillinoisfarmers.org>





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**PREPARING A NEW GENERATION
OF ILLINOIS FRUIT AND VEGETABLE FARMERS**

MARKETREADY™

GETTING STARTED IN WHOLESALE MARKETING

Nathan Johanning & Andy Larson



Why MarketReady?

- To position specialty crop operations to fully capitalize on expanding local foods markets.
- Meet requirements of commercial buyers
- Emerging food safety standards
- Meet the demands of a changing market



The Changing Wholesale Environment

- Increasing demand for Local Foods
 - The drivers are many
- Traditional supply channels for commercial buyers not Local
 - Buyers adapting to consumer demand, etc.
- Resulting increased demand for Local Product at HIGH VOLUMES.

What to do?



- Don't abandon success!
- Evaluate opportunities for ALL marketing options

MarketReady Modules

- **Communication & Relationship Building**
- **Packaging**
- **Labeling**
- **Pricing**
- **Supply**
- **Delivery**
- **Storage**
- **Invoicing**
- **Insurance**
- **Quality Assurance & Temperature Control**
- **Certifications & Audits**
- **Satisfaction Guarantee**
- **Working Cooperatively**
- **Marketing – An ongoing process**
- **Local Products for Local Markets**



Communication & Relationship Building



- Interview quotations about communication:

"Give us a phone call, (expletive)!"

"Keep me posted as to what's happening. I need two weeks notice of any changes."

"Communicate 2-3 times per week during produce season."

"I need four days notice to re-supply elsewhere if farmers won't have the product."



Communication

- The grower must take initiative to communicate with the restaurant
 - *“Successful growers create a line of communication between them and the chef.”*
 - David Rand, Chicago City Markets Farm Forager
- Clear communication only enhances the farmer-chef relationship—critical to developing the restaurant market and positive changes to a farm’s products
- Call ahead...months ahead!

Best Marketing Practices: Communication & Relationship Building

- ☐ I understand the importance of **advanced notice** to the buyer about my **products availability** and **changes in quantity or quality**
- ☐ I have the buyers **contact information** such as their direct phone numbers, and email; I understand the best way to reach them
- ☐ I understand wholesale food buyers have many demands on their time, therefore I **make appointments in advance** in order to meet with the buyer about my products



Packaging

- Wholesalers and grocers look for “conventional” boxes
 - <http://www.ams.usda.gov/grades-standards/vegetables>
- Sanitation and durability
- Looking for traceability and function for packages down the road
- Prefer ‘farm identification’ labels and packaging



OMEGA 3 • 100% VEGAN ENRICHED EGGS!
"THE MEMORY EGG™"
 Produced without antibiotics
 Rebekah's Race
 GRADE A
LARGE BROWN EGGS
ONE DOZEN
 REBEKAH'S RACE
 SELENIUM • OMEGA 3
ENRICHED EGGS!
 "Farm Number" indicates the specific farm they came from.

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Packaging

- *It doesn't matter so much to me if greens and specialties come in a plastic bag... We can deal with that if the quality and consistency is there."*
 - Donnie Ferneau, Executive chef, Ferneau's, Little Rock, AR



Best Marketing Practices:

Packaging

- ☐ **I understand industry standard packaging** and am prepared to deliver that kind of package
- ☐ **I asked the buyer** how they want products packaged
- ☐ **I will package appropriately** to protect integrity, temperature and contamination
- ☐ **I will package to allow storage** on pallets, in racks

Labeling



- Labels communicate a professional product
- Labels should include:
 - Farm name, logo, contact information
 - Labels may also include
 - Field source, harvest date, use information, appropriate certifications, UPC or PLU codes
- Labels should be weatherproof and not “get in the way” of the product





Garrett County
Pork Andouille & Polska Kielbasa
\$5.99

Garrett County
Turkey Andouille & Kielbasa
\$5.99



Hot Italian Sausage
\$5.99/lb.



Best Marketing Practices: Labeling

- ☐ **I understand that labeling can help build my farm's identity** and improve product presentation
- ☐ **I have access to water-resistant labels** that link my product with my farm but do not get in the way of product handling
- ☐ **I have explained to chefs the terms** like “certified”, “sustainable”, and other phrases and what they mean when used on my labels or product packaging

Pricing

Standard Retail Pricing

Margin-based retail pricing (used by almost all food retailers – standard retail price)

Food cost % = 1 - % margin

Target retail price = wholesale unit cost/food cost %

Example: A retailer wants to get a 40% margin on asparagus. A case standard is 28 pounds and costs \$48.50 from the supplier. This comes to \$1.73/pound cost to the retailer.

The food cost % in this case is $1 - .40 = .60$

The **target retail price** to reach the margin with this method is $\$1.73/.60 = \$2.89/\text{lb.}$



Standard Retail Pricing

How is the **target margin** determined by the retailer?

- Spoilage – higher likelihood of loss means higher margin required to cover losses
- Theft or unaccounted loss of inventory
- Unsold inventory
- Seasonality, demand, availability in other stores
- Special promotions

Typical grocery produce margins run 33-50% and are variable across items

Retail vs. Restaurant Pricing



Retail vs. Restaurant Pricing

- Don't assume retail prices will be competitive with farmers markets
- Restaurants are a wholesale market—some may pay farmers' market prices
- Most chefs will tell you what they're looking at for non-local prices

Pricing

- Account for the cost of getting your product to the restaurant

“We see what the product is selling for wholesale, figure in fuel costs and our time, and that’s what we stick with.”

--Brian Stout, Dowagiac MI, Green City Market,
Chicago, IL

Delivery



Delivery

- Be consistent
 - Try to find a specific time that work for both you and the buyer
- Group deliveries together
 - Make a “delivery route” to maximize your efficiency of fuel and time.
- Work cooperatively with other growers to transport product and reduce delivery costs

Invoicing and Records



"I want an 8 ½" x 11" piece of paper with the grower's name, address, phone number, the product, how much it weighed and how much it cost. That's it."

--Jeff Newman, Executive Chef, Boone Tavern Inn, Berea, KY

Invoice Example

**Farm Logo
displayed
prominently**

YOUR LOGO
HERE

DIRECT TO YOU FARM

Invoice

Date: 10/30/2009
INVOICE # [100]

**Invoice
date and
number**

TO [Name]
[Company Name]
[Street Address]
[City, ST ZIP Code]
[Phone]
Customer ID [ABC12345]

**Payment
terms and
due date
specified**

Salesperson	Job	Shipping Method	Shipping Terms	Delivery Date	Payment Terms	Due Date
					Net 15 Days	11/15/2009

Qty	Item #	Description	Unit Price	Discount	Line Total
2 Cases		HEIRLOOM TOMATOES	20.00		40.00
				Total Discount	
				Subtotal	40.00
				Sales Tax	
				Total	40.00

**Quantity,
Product,
Cost and
Total**

**Space for
customer
contact
information
Your Farm's
complete
contact
information**

Make all checks payable to DIRECT TO YOU FARM

Thank you for your business!

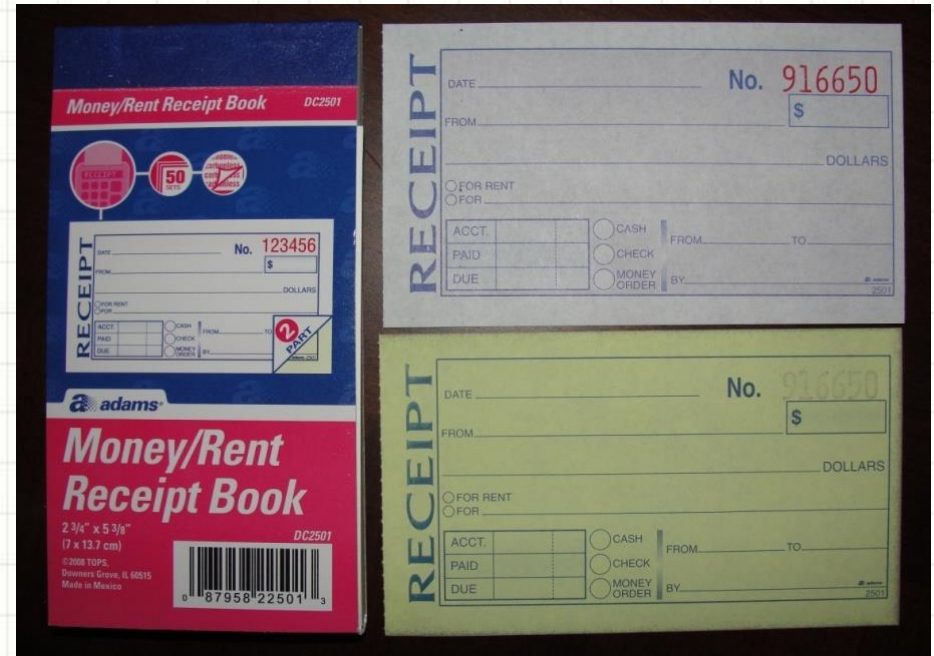
DIRECT TO YOU FARM [Street Address], [City, ST ZIP Code] Phone [000-000-0000] Fax [000-000-0000] [e-mail]



Invoicing and Records

Tracking Invoices

- Save computerized documents in a word processing or other document file
- Use an accounting software package to track all accounts
- Use a simple invoice book with duplicate copies



"I keep it simple—just the little invoice book I bought at Walmart."

--David Dedert, Quincy, IL

Sells pork directly to local country club

Basic Marketing Practices: Invoicing and Records

- ☐ I will provide a **numbered invoice form** with farm name, address, phone number, and other contact information printed on it
- ☐ The invoice form will have the **date, P.O. number, product description, weight or quantity, price per unit and total price**
- ☐ I understand the invoicing procedures and have **discussed them with the buyer**. I have made sure that my invoice statement or system meets their requirements, including electronic delivery if required

Summary

1. Communicate early and often
2. Package for functionality and professionalism
3. Labels should communicate essential information and build your brand
4. When negotiating prices, know your costs and understand the buyer's margins
5. Provide an invoice and keep a record for yourself

To reach us

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If you have questions ...

- University of Illinois Extension Local Food Systems and Small Farms team
 - <http://web.extension.illinois.edu/smallfarm/>
- USDA's Start2Farm site
 - <http://www.start2farm.gov/>